

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Adopt
Rules and Procedures Governing
Commission-Regulated Natural Gas
Pipelines and Facilities to Reduce Natural
Gas Leakage Consistent with Senate Bill
1371.

Rulemaking 15-01-008
(Filed January 15, 2015)

**COMMENTS OF THE INDEPENDENT STORAGE PROVIDERS
REGARDING ADMINISTRATIVE LAW JUDGE'S RULING ENTERING
CALIFORNIA AIR RESOURCES BOARD AND CALIFORNIA PUBLIC UTILITIES
COMMISSION JOINT STAFF ANNUAL REPORT ON ANALYSIS OF JUNE 17, 2016
UTILITIES' REPORTS AND COMMISSION STAFF PROPOSAL ON BEST
PRACTICES INTO THE RECORD AND SEEKING COMMENTS**

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February 10, 2017

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Pursuant to the Administrative Law Judge’s (“ALJ”) January 19, 2017 Ruling Entering the California Air Resources Board (“CARB”) and California Public Utilities Commission (“Commission” or “CPUC”) Joint Staff Annual Report on Analysis of June 17, 2016 Utilities’ Reports and Commission Staff Proposal on Best Practices Into the Record and Seeking Comments (“ALJ’s Ruling”), Central Valley Gas Storage, LLC (“Central Valley”), Gill Ranch Storage, LLC (“GRS”), Lodi Gas Storage, L.L.C. (“LGS”), and Wild Goose Storage, LLC (“Wild Goose”) (collectively the “Independent Storage Providers” or “ISPs”) submit these comments. Each ISP has received a certificate of convenience and necessity from the Commission authorizing it to provide competitive natural gas storage services using underground storage and related facilities.

The ISPs appreciate the Commission’s and CARB’s ongoing efforts to obtain further reductions in emissions of greenhouse gases (“GHG”) consistent with the intent of SB 1371 and other relevant statutory requirements, and have played an active and constructive role in this proceeding to facilitate regulatory standards for the state’s utilities that are workable and realistic for small gas utilities with newer facilities, a limited scope, footprint and workforce, and minor emission levels. ISPs had representation in every workshop held by the CPUC and CARB to advance the development of Best Practices, contributed to the development of the Four Principles for Methane Leak Best Practices, and shared initiatives that have been utilized by the

ISPs to facilitate methane emissions minimization. The data entered into the record from the June 17, 2016 Utilities' Reports demonstrate that the measures already instituted by the ISPs are making meaningful contributions toward the goals of this proceeding.

The ISPs support continued annual methane emissions reporting by all of the state's gas utilities (including any improvements to reporting forms). The ISPs also intend to submit and implement Compliance Plans as contemplated by the Commission Staff Proposal on Best Practices.

The ISPs appreciate the opportunity to provide these responses to the questions posed in the ALJ's Ruling regarding the CARB/CPUC Joint Staff Annual Report ("Annual Report") analyzing gas utility emissions data reported in 2016 and the Staff Proposal on Best Practices ("Staff Proposal").

1. Does the January 2017 Joint Staff Annual Report clearly illustrate the trends of findings based on ARB/Commission staff's analysis of the June 17, 2016 reports?

The ISPs have reviewed the Annual Report and agree with staff's finding that due to the changes in the data requested from the utilities, "direct and detailed comparisons between 2014 and 2015 are not practical."¹ The ISPs believe the format provided to report 2015 emissions was an improvement over the prior form, and continuing to utilize a similar format for reporting 2016 emissions should better facilitate trend analysis.

The ISPs note that most of the emissions they report are derived from engineering calculations, rather than from Emission Factors ("EFs"), so the conclusions and recommendations in the Annual Report with regard to EFs will not significantly impact ISP emissions.

One continuing difficulty in establishing trending analysis for ISPs is that, contrary to information reported for all of the underground storage facilities in the state, the majority of ISP emissions result from blowdowns. More than 60% of the emissions the ISPs reported in 2016 were due to blowdowns. For underground storage facilities statewide, methane emissions reported due to blowdowns was approximately 25% of the total. The need for a blowdown at a storage facility is driven by operational and safety reasons and is variable in nature.

¹ Annual Report, p.4.

Notably, methane emissions from a gas storage facility due to blowdowns are neither linear nor consistent from one year to the next. They also are correlated to the quantity of gas that is processed through the facility. Annual gas storage flow volume is strongly dependent on market conditions. If the gas storage reservoir inventory level is low at the start of an injection season, a greater volume of gas will need to be placed into storage to ensure sufficient volume is available for the coming withdrawal season. Likewise, withdrawal season volumes vary due to market demand and weather conditions. Thus, as market demand increases, so does the need for cycling of injection and withdrawal volumes. The higher the cycle volume, the more the compressor / process equipment is utilized, which can result in higher blowdown volumes. Given this variability, an ISP facility that is doing an exemplary job of implementing Best Practices to limit emissions may appear to be increasing emissions in a given year because of unique operational situations that may occur from one year to the next.

2. Are there “Lessons Learned” from this reporting and analysis process that were not identified by staff?

The reporting data and analysis show that ISPs are de minimus sources of statewide methane emissions. Thus, regulatory mandates which would force ISPs to implement uneconomic measures to meet compliance targets would not result in meaningful contributions to reducing statewide emissions. According to data presented in the Annual Report, compared with the data that the ISPs reported to the CPUC in 2016, ISPs in total emit less than ½ of one percent of all reported gas utility methane emissions. This amount is even less significant when all methane sources are included – in that case, ISPs emit about three hundredths of one percent of the statewide total.

As further discussed below, the ISPs appreciate that the Staff Proposal recognized that gas utilities with limited emissions (*i.e.*, Class C utilities) may legitimately ask for exemptions from required Best Practices. The ISPs submit that this type of flexibility needs to apply also to any reduction targets that may be established in further rulings and the ISPs once again recommend establishment of a threshold below which further expenditures to attain additional emission reduction are not required. The ISPs most recently presented this concept in their comments regarding cost-effectiveness in December and showed how the approach would be consistent with relevant California laws.²

² Comments of the Independent Storage Providers Regarding Administrative Law Judge’s Ruling

Instead of seeking to reduce statewide emissions through having the ISPs attempt to make changes that would be extremely expensive without providing a noteworthy reduction of emissions, the data in the report show other emission categories where incremental investments can be made much more effectively:

- Transmission pipeline blowdowns reported by the utilities emit 15 times as much gas as all of the ISP emissions combined.
- Graded distribution leaks emit 48 times as much gas as all of the ISP emissions combined.
- Distribution customer meter set leaks are estimated to emit 54 times as much as all of the ISP emissions combined.

Reducing emissions from the above three sources by just an additional 1% (*i.e.*, targeting a 41% reduction for these items rather than a 40% reduction) would prevent more gas emissions statewide than the ISPs currently emit in total.

The data in the Annual Report also provide an indication that the measures already instituted by the ISPs are making meaningful contributions toward the goals of this proceeding. Again, comparing Annual Report data to the information that the ISPs reported to the CPUC in 2016, along with facility size information, ISP emissions are only 16% of all of the state's reported underground storage emissions, despite ISPs accounting for nearly 40% of the state's storage capacity. (Put another way, ISP emissions are already more than 50% lower than those of the average underground storage facility in the state.) This is because the ISPs, in the design of their facilities and other operating measures, already implement Best Practices that are working to contain methane emissions. The ISPs should receive recognition that those Best Practices are in place and making contributions to statutory objectives.

3. Please provide comments on the proposed changes to the data reporting templates. Do respondents have any additional template changes they would like to propose before a “third” revised annual report template is issued at the end of first quarter 2017?

As previously indicated, the ISPs believe the format provided to report 2015 emissions was an improvement, and continuing to utilize a similar format for reporting 2016 emissions should better facilitate trend analysis. The ISPs have no objections to the changes proposed in

Noticing Technical Best Practices Workshop, Entering Cost-Effectiveness Workshop Materials Into the Record and Seeking Comments (December 9, 2016), p.3.

Appendix E of the Annual Report. However, because blowdown volumes are typically more complex than multiplication of the terms shown on a row, the ISPs will likely have to make explanations for most of their reported emissions.

The ISPs propose one revision to Appendix B, relating to the calculation of a system-wide leak rate. Since ISP gas volumes flow both into and out of their facilities over the course of an injection/withdrawal cycle, their pipeline systems effectively move twice the volumes they are assumed to move by the calculation. The ISPs thus recommend adding gas withdrawn from storage to the calculation of any leak rate for an underground storage facility, such that the denominator of the leak rate calculation is the sum of gas volume injected and withdrawn during the year.

4. Based on available information, are the January 2017 proposed Commission SED Staff revised Best Practices reasonable? Why or why not? What revisions are appropriate to ensure they fulfill SB 1371 goals?

The ISPs appreciate that the Staff Proposal recognizes that gas utilities with limited emissions may legitimately ask for exemptions from required Best Practices. Since the sum of the ISPs' reported baseline emissions are less than ½ of one percent of the total aggregated annual utility emissions, each ISP individually anticipates being considered as a Class C utility. The ISPs have no objections to developing and submitting Compliance Plans that appropriately account for the Best Practices they have already implemented (including during facility design and construction, and operating measures) and additional Best Practices that are appropriate for their facility types and cost-effective to implement as anticipated by SB 1371. The ISP Compliance Plans are likely to include requests for exceptions for Best Practices that are not appropriate to apply to an ISP facility and/or are not cost-effective.

The ISPs comment further on only a few Best Practices. First, certain personnel-related Best Practices in the Staff Proposal are written to address the situations encountered in large utility environments, with large workforces and multiple formal job classifications. (Best Practice Number 14 is the most conspicuous example, but there are others that reference General Rate Cases and/or Collective Bargaining Contracts.) It is not appropriate to impose those Best Practices on ISPs as a matter of course, given their very small workforces and appropriately

flexible job responsibilities.³ While ISPs can request an exemption from these requirements under the Best Practices as currently drafted, there does not appear to be a reason to require that they go through an exemption request process for Best Practices that clearly do not fit the small utility model. The ISPs respectfully request that such Best Practices be revised to provide that they do not apply to ISPs or Class C utilities.

Second, there are Best Practices (Numbers 8, 18, and 19) that provide that their requirements “should not be duplicative” to other applicable requirements. ISP representatives that attended the workshops discussing these Best Practices understood that the intent of this language was that if there are other regulatory requirements (from CARB or PHMSA or DOGGR) that address the concepts, that these Best Practices need not be added in duplication. As written, however, they could be interpreted as creating requirements in addition to other regulatory requirements. The ISPs would support them if the interpretation is that additional requirements will not be layered on top of other new requirements.

5. Based on available information, are the January 2017 proposed Commission SED Staff revised Best Practices reasonable? Why or why not? What revisions are appropriate to ensure they fulfill SB 1371 goals?

The ISPs believe it would be reasonable to develop the first set of Compliance Plans to submit with Safety Plans in March 2018 and update them every two years thereafter. The ISPs currently have no plans in place to propose R&D pilot programs, but may wish to do so as technology develops in advance of the timeframe in which ISPs would have to submit a Compliance Plan. The language regarding R&D pilot programs on page 13 of the Staff Proposal appears reasonable.

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³ See Comments of the Independent Storage Providers Regarding Administrative Law Judge’s Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations Into the Record and Seeking Comments (May 6, 2016), pp. 11-12.

The ISPs appreciate the Commission's consideration of these comments and respectfully request that it adopt the recommendations set forth herein.

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